

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-003  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006

3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006

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AUDIT REPORT NUMBER

#08-003

3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA

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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. John Blacklock, President  
Board of Directors  
3rd DAA, Silver Dollar Fair  
2357 Fair Street  
Chico, California 95928

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 3rd District Agricultural Association (DAA), Silver Dollar Fair, Chico, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 3rd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

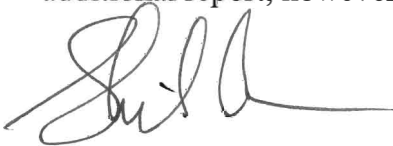
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 3rd DAA, Silver Dollar Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 3rd DAA, Silver Dollar Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-003, on the 3rd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 3rd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

For Ron Shackelford, CPA  
Chief, Audit Office

August 15, 2008

**3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION  
December 31, 2007 and 2006**

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	111-116	\$ 343,770	\$ 544,991
Accounts Receivable, Net	131	11,464	38,822
Construction in Progress	190	-	34,487
Land	191	15,522	15,523
Buildings and Improvements, Net	192	3,382,030	2,836,921
Equipment, Net	193	-	5,332
<b>TOTAL ASSETS</b>		<b><u>\$ 3,752,786</u></b>	<b><u>3,476,076</u></b>
<b>LIABILITIES AND NET RESOURCES</b>			
<b>Liabilities</b>			
Accounts Payable & Other Liabilities	212	33,320	46,859
Current Portion of LT Debt	212.5	32,276	20,571
Deferred Income	228	8,430	44,217
Guaranteed Deposits	241	6,500	6,500
Compensated Absences Liability	245	93,571	90,484
Long Term Debt	255	490,295	152,571
<b>Total Liabilities</b>		<b><u>664,392</u></b>	<b><u>361,202</u></b>
<b>Net Resources</b>			
Reserve for Junior Livestock Auction	251	500	500
Net Resources - Operations	291	180,636	395,253
Net Resources - Capital Assets	291.1	2,907,258	2,719,121
<b>Total Net Resources Available</b>		<b><u>3,088,394</u></b>	<b><u>3,114,874</u></b>
<b>TOTAL LIABILITIES AND NET RESOURCES</b>		<b><u>\$ 3,752,786</u></b>	<b><u>\$ 3,476,076</u></b>

**3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY  
December 31, 2007 and 2006

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
<b>REVENUE</b>			
State Apportionments	312	\$ 124,000	\$ 124,000
Capital Project Funds	319	145,101	117,655
Other Resources	330	-	11,812
Non Capital Revenue	340	13,165	-
Admissions	410	254,063	261,409
Commercial Space	415	63,760	64,420
Carnival	421	138,790	136,490
Concessions	422	74,437	68,513
Exhibits	430	8,087	7,968
Horse Show	440	1,061	1,438
Attractions - Fairtime	460	2,272	3,126
Miscellaneous Fair	470	64,555	55,692
Non-Fair Revenue	480	485,898	504,991
Prior Year Revenue	490	400	-
<b>Total Revenue</b>		<u><b>1,375,589</b></u>	<u><b>1,357,514</b></u>
<b>EXPENSES</b>			
Administration	500	368,056	347,068
Maintenance and Operations	520	470,762	514,490
Publicity	540	41,748	42,449
Attendance	560	60,762	55,309
Premiums	580	45,959	44,034
Exhibits	630	75,660	67,673
Horse Show	640	500	500
Attractions - Fairtime	660	140,617	151,420
Prior Year Adjustments	800	63	2,907
Cash Over/Short from Ticket Sales	850	(21)	132
Depreciation Expense	900	197,963	179,351
<b>Total Expenses</b>		<u><b>1,402,069</b></u>	<u><b>1,405,333</b></u>
<b>RESOURCES</b>			
Net Change - Income / (Loss)		(26,480)	(47,819)
Resources Available, January 1		3,114,874	3,162,694
<b>Resources Available, December 31</b>		<u><b>\$ 3,088,394</b></u>	<u><b>\$ 3,114,874</b></u>

**3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS  
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (26,480)	\$ (47,819)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	27,358	57,638
Increase (Decrease) in Accounts Payables and Other Liabilities	(13,539)	(13,147)
Increase (Decrease) in Current Portion of Long-term Debt	11,705	-
Increase (Decrease) in Deferred Income	(35,786)	(39,870)
Increase (Decrease) in Compensated Absence Liability	3,087	9,122
Increase (Decrease) in Guarantee Deposits	-	1,100
Total Adjustments	<u>(7,175)</u>	<u>14,843</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>(33,655)</b></u>	<u><b>(32,976)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) Decrease in Construction in Progress	34,487	(2,767)
(Increase) Decrease in Buildings & Improvements, Net	(545,109)	(1,509)
(Increase) Decrease in Equipment, Net	<u>5,332</u>	<u>9,541</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u><b>(505,290)</b></u>	<u><b>5,265</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Long-Term Debt	<u>337,724</u>	<u>(20,572)</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><b>337,724</b></u>	<u><b>(20,572)</b></u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(201,221)</b>	<b>(48,283)</b>
Cash at Beginning of Year	544,991	593,274
<b>CASH AT END OF YEAR</b>	<u><u><b>\$ 343,770</b></u></u>	<u><u><b>\$ 544,991</b></u></u>



**3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2007 and 2006

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization - The 3rd District Agricultural Association (DAA) was formed on January 15, 1935, for the purpose of sponsoring, managing, and conducting the Silver Dollar Fair each year in Chico, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from

customers and remits the entire amount to the state Board of Equalization. The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

**NOTE 2      CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 50	\$ 50
Cash in Bank – Operating	14,768	8,024
Cash in Bank – Premium	2,978	2,964
Cash in Bank – Payroll	974	8,953
Cash in Bank – Time Deposits	<u>325,000</u>	<u>525,000</u>
Total Cash and Cash Equivalents	<u>\$ 343,770</u>	<u>\$ 544,991</u>

**NOTE 3      ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2007</u>	<u>2006</u>
Accounts Receivable	\$ 11,464	\$ 38,822
Allowance for Doubtful Accounts	<u>0</u>	<u>0</u>
Accounts Receivable – Net	<u>\$ 11,464</u>	<u>\$ 38,822</u>

**NOTE 4      PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$ 6,859,091	\$ 6,121,351
Less: Accumulated Depreciation	<u>(3,477,061)</u>	<u>(3,284,430)</u>
Building & Improvements – Net	<u>\$ 3,382,030</u>	<u>\$ 2,836,921</u>

Equipment	\$ 339,675	\$ 339,675
Less: Accumulated Depreciation	<u>(339,675)</u>	<u>(334,343)</u>
Equipment – Net	<u>\$ 0</u>	<u>\$ 5,332</u>

NOTE 5 **LONG-TERM DEBT**

The DAA has entered into two long-term loan agreements with California Construction Authority (CCA) to finance the Photovoltaic power-generating project and the Paving and Parking Lot project on the fairgrounds. The terms of the agreements are as follows:

**CCA Photovoltaic Loan:**

Loan Amount	\$ 252,000
First Payment Date	March, 2003
Payment Amount	\$ 1,714
Duration of Loan	147 Months
Interest Rate	Zero, Principle Only
Total Outstanding at 12/31/07	\$ 152,571
Current Portion at 12/31/07	\$ 20,572
Long-Term Portion at 12/31/07	\$ 131,999

**CCA Paving Loan:**

Loan Amount	\$ 370,000
First Payment Date	August, 2008
Payment Amount	\$ 4,015
Duration of Loan	120 Months
Interest Rate	5.50%
Total Outstanding at 12/31/07	\$ 370,000
Current Portion at 12/31/07	\$ 11,705
Long-Term Portion at 12/31/07	\$ 358,295

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the

date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

**RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 3rd DAA Board of Directors
1	Chief Executive Officer, 3rd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA

MANAGEMENT REPORT #08-003

YEAR ENDED DECEMBER 31, 2007

3RD DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
CHICO, CALIFORNIA

MANAGEMENT REPORT  
YEAR ENDED DECEMBER 31, 2007

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AUDIT STAFF

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Marinette Babida  
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Audit Chief  
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MANAGEMENT REPORT NUMBER  
#08-003



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CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. John Blacklock, President  
Board of Directors  
3rd DAA, Silver Dollar Fair  
2357 Fair Street  
Chico, California 95928

In planning and performing our audit of the financial statements of the 3rd District Agricultural Association (DAA), Silver Dollar Fair, Chico, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Silver Dollar Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 3rd DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 3rd DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly



recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 3rd DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 3rd DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 3rd DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 3rd DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: speedway controls, and personnel procedures. We have provided three recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 3rd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

## REPORTABLE CONDITIONS

### SPEEDWAY CONTROLS

The Fair exposed itself to loss by not obtaining supporting documentation to confirm its share of speedway revenue. According to the speedway contract, the Fair is to receive \$50 per keg sold; 20% of gross receipts for various concessions (i.e., food, beverage, novelty, and wine); 12.5% of gross grandstand gate receipts; and \$25 per night for overnight trailer space rental. During the Gold Cup Race, the rate is \$12.50 per night. The Fair received approximately \$170,476 from various speedway revenues at year-end 2007. Of 2007 speedway revenue, we reviewed approximately \$107,875 for the months of March, April, September, and October. Based on the months reviewed, we could not confirm approximately \$67,030 or 39% of 2007 speedway revenue due to the lack of supporting documentation from various speedway revenue sources. In order to establish accountability of various speedway revenues, the Fair should obtain supporting documentation from the contractor such as an invoice which indicates the number of kegs sold, z-tapes specifying gross sales on various concessions, ticket sales reports for speedway admissions, and overnight trailer space rental reports. This review process will help provide assurance the amount of sales is accurately reported to the Fair.

#### *Recommendation*

1. *The Fair should require and obtain supporting documentation from the speedway contractor to validate the revenue due from the speedway contractor.*

### PERSONNEL PROCEDURES

Based on our examination of the Fair's payroll records, the Fair allowed employees to maintain excessive compensated leave balances. We determined one employee had a vacation balance of 739 hours at year-end. This exceeds the 640-hour maximum limitation for annual leave/vacation hours allowed by the Department of Personnel Administration. Furthermore, the Fair allowed one employee to accumulate 302 compensated time off (CTO) hours at year-end. According to the employee's respective bargaining unit contract, "employees may accumulate up to 240 hours of CTO. All hours in excess of 240 CTO hours shall be compensated in cash." This was a prior year finding.

#### *Recommendations*

2. *The Fair should exercise more control over the number of compensated leave hours accumulated by permanent employees to ensure maximum limitations are not exceeded. They should also encourage employees with excess balances to take time off in order to reduce their related balances below the maximum allowable limitations.*
3. *The Fair should comply with each related employee's bargaining unit by compensating all employees in cash for any CTO hours worked in excess of the 240-hour limitation.*

## NON-REPORTABLE CONDITIONS

### EXPENDITURES

The Fair used a State issued CAL-Card to pay for lodging transactions for an employee and several Board members. According to the State Administrative Manual (SAM) Management Memo (MM) #04-06 issued January 26, 2004, the CAL-Card cannot be used for State travel-related expenses such as airline tickets, ground transportation, vehicle rentals, meals, and lodging. For the year 2007, we determined approximately \$2,256 in lodging expenses were charged to the CAL-card account for attendance of the International Association of Fairs and Expositions Convention. This was a prior year finding

Moreover, the Fair exposed itself to loss by not maintaining sufficient controls over all expenditures incurred with the CAL-Card. Based on our examination of CAL-Card expenditures, we identified both the cardholder and approving officer did not always sign CAL-Card statements acknowledging responsibility for expenditures prior to processing for payment. The CAL-Card manual requires the Cardholder to sign the certification statement on the bottom of the last page of the statement to ensure transactions are correctly billed. Likewise, the approving officer should sign the statement to certify a review took place. This was a prior year finding.

In addition, the Fair did not always adequately support or justify expenditures incurred for food and beverages in accordance with State policy and policy identified in the Accounting Procedures Manual (APM) Section I, 2.85, Documentation of Expenditures and Section I, 2.86 Public Relations and Promotional Expenses. The Fair spent approximately \$1,188 on meals and beverages without sufficient detailed receipts to support the expenditure incurred from the Fair's credit card account. Although the Fair attempted to identify the guests who were provided a meal, they did not always justify the expenses by identifying the business purpose and topics discussed, thereby demonstrating the benefits expected to accrue to the Fair. This information is required by the APM to adequately support meals purchased for public relations or promotional purposes. This was a prior year audit finding.

### *Recommendations*

*The Fair should comply with SAM (MM) #04-06 and prohibit the use of the State issued CAL-card to pay for employee or Board member travel. Each related individual who incurs reimbursable travel expense on the Fair's behalf should complete a travel expense claim.*

*The Fair should strengthen its controls over CAL-Card purchases by ensuring both the cardholder and approving officer review and approve each monthly statement on a timely basis.*

*The Fair should ensure food and beverage expenditures are properly justified and documented in accordance with APM Section I, 2.85 and APM Section I, 2.86, prior to the processing of payments.*

## COURTESY & CREDENTIAL PASSES

The Fair did not clearly differentiate courtesy passes from credential passes based on our review of the Fair's log and ticket stock. According to the Food and Agriculture (F&A) Code Section 3025, "the words 'credential admission' shall be printed on each ticket issued as a credential admission". The Fair reported on the 2007 Statement of Operations (STOP) Schedule 4, Fair Statistics, courtesy passes issued totaled 481 and credential passes issued totaled 7,203; however, we could not confirm this because the Fair does not distinguish the type of pass on the actual ticket issued. F&A Code Section 3028 further states "each fair shall maintain complete records of the number of credential and courtesy pass admissions which are issued." Moreover, we could not determine the purpose of the issued passes because the log does not justify and support the business purpose and necessity of the issuance of the passes.

### *Recommendation*

*The Fair should distinguish credential from courtesy passes and strengthen internal controls over these passes by justifying and supporting the business purpose for issuing the passes.*

## ACCOUNTING FOR BEER CONCESSIONS REVENUE

The Fair did not obtain supporting documentation to validate the accuracy of the beer concession revenue. Based on our audit, we could not verify approximately \$11,880 of beer concession revenue equal to 108 kegs at the rate of \$110 per keg. By failing to obtain supporting documentation, the Fair is exposed to potential loss. In order to establish accountability over beer revenues, the Fair should always obtain supporting documentation, such as an invoice, to verify the number of kegs sold. This review process will help provide assurance the amount of sales is accurately reported to the Fair.

### *Recommendation*

*The Fair should require the beer concessionaire to submit all supporting documentation for beer sales in order to verify the amount of revenue received.*

**DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE**

3rd DISTRICT AGRICULTURAL ASSOCIATION  
SILVER DOLLAR FAIR  
RESPONSE TO Audit Report #08-003

SPEEDWAY CONTROLS

The Fair exposed itself to loss by not obtaining supporting documentation to confirm its share of speedway revenue. According to the speedway contract, the Fair is to receive \$50 per keg sold; 20% of gross receipts for various concessions (i.e., food, beverage, novelty and wine); 12.5% of gross grandstand receipts; and \$25 per night for overnight trailer space rental. During the Gold Cup Race, the rate is \$12.50 per night. The Fair received approximately \$170,476 from various speedway revenues at year-end 2007. Of 2007 speedway revenue, we reviewed approximately \$107,875 for the months of March, April, September, and October. Based on the months reviewed, we could not confirm approximately \$67,030 or 39% of 2007 speedway revenue due to the lack of supporting documentation from various speedway revenue sources. In order to establish accountability of various speedway revenues, the Fair should obtain supporting documentation from the contractor such as an invoice which indicates the number of kegs sold, z-tapes specifying gross sales on various concessions, ticket sales reports for speedway admissions, and overnight trailer space rental reports. This review process will help provide assurance the amount of sales is accurately reported to the Fair.

Recommendation

1. *The Fair should require and obtain supporting documentation from the speedway contractor to validate the revenue due from the speedway contractor.*

Action Taken

The Fair has developed a completely new scope of work and detail of responsibility for the speedway contractor. The speedway contractor will be required to provide appropriate documentation and increase timely payment of revenue due Fair.

PERSONNEL PROCEDURES

Based on our examination of the Fair's payroll records, the Fair allowed employees to maintain excessive compensated leave balances. We determined one employee had a vacation balance of 739 hours at year-end. This exceeds the 640-hour maximum limitation for annual leave/vacation hours allowed by the Department of Personnel Administration. Furthermore, the Fair allowed one employee to accumulate 302 compensated time off (CTO) hours at year-end. According to the employee's respective bargaining unit contract, "employees may accumulate up to 240 hours of CTO. All hours in excess of 240 CTO hours shall be compensated in cash." This was a prior year finding.



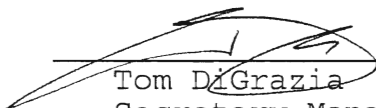
*Recommendations*

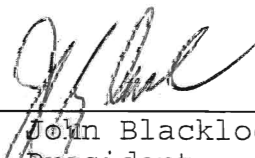
2. *The Fair should exercise more control over the number of compensated leave hours accumulated by permanent employess to ensure maximum limitations are not exceeded. They should also encourage employees with excess balances to take time off in order to reduce their related balances below the maximum allowable limitations.*
3. *The Fair should comply with each related employees bargaining unit by compensating all employees in cash for any CTO hours worked in excess of the 240 hour limitation.*

Action Taken

The Fair will implement a plan to schedule usage and/or compensation for excess time.

RESPONSE to Audit Report #08-003

  
\_\_\_\_\_  
Tom DiGrazia  
Secretary-Manager  
Silver Dollar Fair

  
\_\_\_\_\_  
John Blacklock  
President  
Board of Directors

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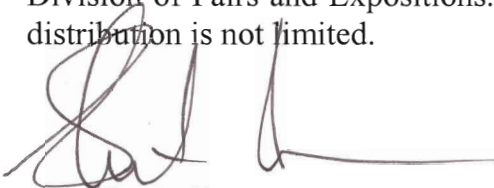
### **CDFA EVALUATION OF RESPONSE**

A draft copy of this report was forwarded to the management of the 3rd DAA, Silver Dollar Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

### DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between August 4, 2008 and August 15, 2008. My staff met with management on August 15, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

  
For Ron Shackelford, CPA  
Chief, Audit Office

August 15, 2008

**REPORT DISTRIBUTION**

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1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
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